

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE NOTICE OF HENDERSON UNION ELECTRIC) | |
| COOPERATIVE CORPORATION FOR AUTHORITY) | |
| TO CONVERT NATIONAL RURAL UTILITIES) | CASE NO. |
| FINANCE CORPORATION LOANS 9005, 9008,) | 93-363 |
| AND 9016 FROM A VARIABLE INTEREST RATE) | |
| TO A FIXED INTEREST RATE) | |

O R D E R

IT IS ORDERED that Henderson Union Electric Cooperative Corporation ("Henderson Union") shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. The information requested herein is due within 20 days of the date of this Order.

1. In Item 9 of the Application, Henderson Union has stated that, for the long-term, 14 percent of the total debt was the maximum that could be sustained on variable rates without causing undue stress to consumers if interest rates began to rise.

a. Explain the analysis performed by or for Henderson Union which determined the 14 percent level. Include copies of the analysis.

b. Explain what is meant by the reference to "undue stress to the consumers" in this narrative.

2. Henderson Union has proposed to convert these variable loans to a fixed interest rate for a seven year period. Explain in detail why Henderson Union chose a seven year period rather than a three or five year period. Include any analysis performed by or for Henderson Union which supports the selection of the seven year period over other available time periods.

3. Henderson Union has stated that the fixed interest rate would be 6.75 percent.

a. If the Commission approves Henderson Union's request, explain whether it will be required to use the 6.75 percent fixed interest rate or will be using the fixed interest rate actually available at the time of conversion.

b. Provide the fixed interest rates available to Henderson Union for the periods September 1-15, September 16-30, and October 1-15, 1993. Provide this information for three year, five year, and seven year rates.

4. a. Describe the process Henderson Union must use to convert a loan from the variable interest rate program to a fixed interest rate. Include with the description the usual amount of time it takes to accomplish each step.

b. Given the time it takes to convert a loan from the variable to fixed interest rate, explain why it is necessary to convert these three loans at this time.

Done at Frankfort, Kentucky, this 22nd day of October, 1993.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director